



October 7, 2011

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109

Dear Ms. Dortch:

On Wednesday, October 5, 2011, the undersigned from the National Telecommunications Cooperative Association (“NTCA”), together with David Crothers from the North Dakota Association of Telecommunications Cooperatives (the “NDATC”) and David Dunning, General Manager of Polar Communications (the “Rural Representatives”), met with Margaret McCarthy, the wireline policy advisor to Commissioner Michael Copps, to discuss matters related to the above-referenced proceedings.

Messrs. Crothers and Dunning discussed the unique challenges of operating in high-cost rural areas, as depicted in the materials attached hereto (copies of which were provided in the meeting). These materials show that small independent operators serve 96% of the landmass of North Dakota – with most companies serving average densities of fewer than 6 subscribers per square mile, and with no small carrier serving an area with an average density of more than 8 per square mile. Mr. Crothers also shared data on the levels of investment, types of service platforms, and speeds of broadband service offered by rural carriers in North Dakota. Mr. Dunning discussed the delivery of high-quality broadband services to residential and business consumers, community anchor institutions, and cell towers in his company’s service territory, and the challenges of financing and deploying a network in such sparsely populated locations. The Rural Representatives also discussed how North Dakota providers operate under carrier-of-last-resort obligations in the state, and highlighted the need to justify a business case as best one can in such areas by being able to serve all kinds of customers – end users, enterprises, cell towers, and anchor institutions – rather than focusing only on delivery of services to only one or two categories of customers. Mr. Dunning further emphasized the importance of localized decision-making in investment and operation, noting that each serving area presents its own challenges and opportunities and that no one type of customer – for example, a school or a library – necessarily requires the same service solution across the state or the country.

The Rural Representatives noted that the progress of small rural independent providers in deploying and operating advanced networks depends in substantial part upon the availability of sustainable and predictable universal service support and intercarrier compensation mechanisms. To this end, they urged the Federal Communications Commission (the "Commission") to take prompt action to adopt the universal service fund and intercarrier compensation reform plan (the "RLEC Plan") that NTCA had previously submitted in cooperation with 35 other national, regional, and state rural telecom associations (including the NDATC) in these proceedings. *See* Comments of NTCA, *et al.* (filed April 18, 2011), at 7-38 and Attachments A and C; *see also Ex Parte* filing of NTCA (filed May 26, 2011). Mr. Dunning explained his belief that the RLEC Plan presented a reasonable and balanced means of enabling greater certainty while also attempting to move forward with the Commission's reform objectives.

The Rural Representatives also highlighted, however, the delicate balance upon which these proposed reforms hang, emphasized the substantial compromises already made to accommodate the RLEC Plan within the "Consensus Framework," and indicated that modifications made to the RLEC Plan – such as firm caps on funding adopted by rule, modified local service benchmarks or changes to the subscriber line charge elements included within the proposed access restructuring, and/or additional, untested constraints on investment or cost recovery beyond those already identified in the plan and the associated Consensus Framework – would place small carriers, the customers they serve, the lenders who enable such network deployment, and the very concept of universal service all at risk. The positions on these points were consistent with those expressed by NTCA in support of the RLEC Plan in its April 18, 2011 comments in the above-referenced proceedings, as well as those positions stated in the comments and reply comments filed in response to the Commission's August 3, 2011 Public Notice. *See* Comments of NTCA, *et al.* (filed April 18, 2011), at 7-36, 61-74, and Appendices A and C; Comments of NTCA, *et al.* (filed August 24, 2011), at 21-32; Reply Comments of NTCA, *et al.* (filed Sept. 6, 2011), at 10-29.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. A copy of the materials provided in the meeting is being filed with this correspondence. If you have any questions, please do not hesitate to contact me at (703) 351-2016 or mromano@ntca.org.

Sincerely,

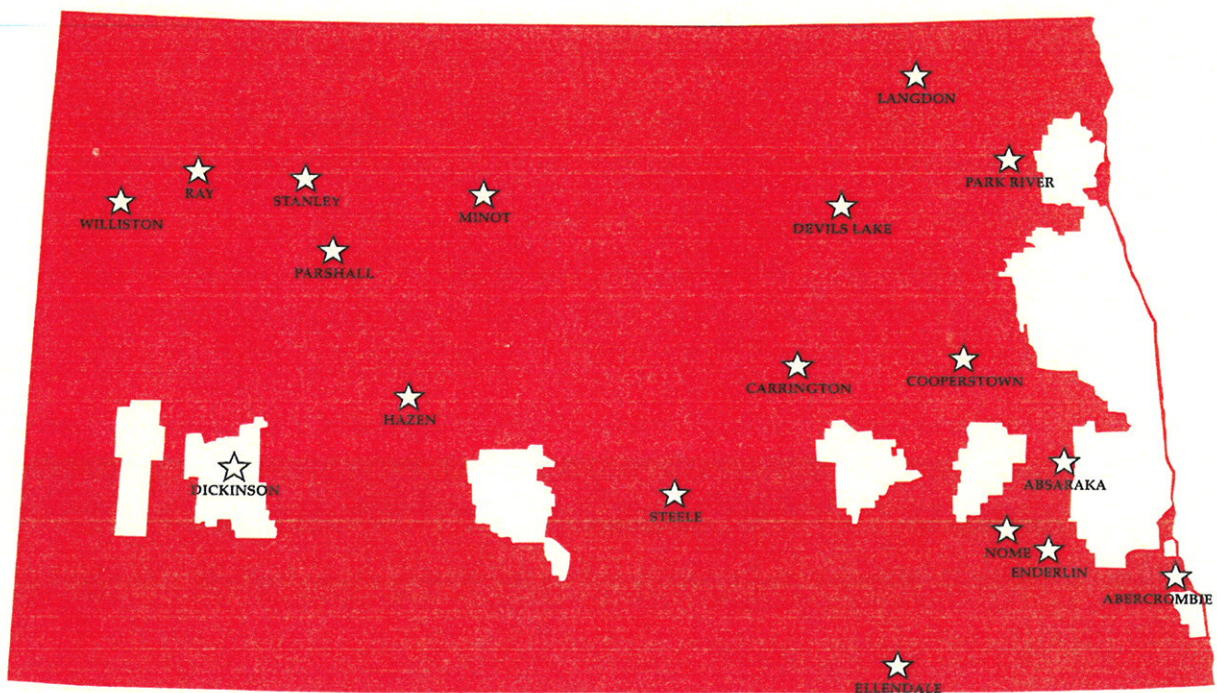
/s/ Michael R. Romano
Michael R. Romano

Senior Vice President - Policy

Attachments

cc: Margaret McCarthy

NORTH DAKOTA'S RURAL TELECOM INDUSTRY



NORTH DAKOTA ASSOCIATION OF
TELECOMMUNICATIONS COOPERATIVES

www.ndatc.com



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The independent telecommunications industry in North Dakota is comprised of 13 telephone cooperatives and five small, locally-owned commercial companies. Together they have forged a wonderful tradition of investment in their telecom infrastructure, communities and employees.

Our industry is also unique in that they serve 96 percent of the geographic territory of the North Dakota, which is far in excess of virtually any other State in the union. There are a myriad of reasons for the independent industry's widespread footprint, but it is primarily because there was minimal interest by the nation's largest telecommunications carriers to invest in areas that were extremely expensive to build infrastructure with very low densities of people per square mile. A third of the North Dakota companies have densities of fewer than three subscribers per square mile; another third have densities of fewer than 6 per square mile. None of the telcos have densities of more than 8 per square mile.

The Communications Act of 1934 recognized the concept that universal service...access for all Americans...to a modern and affordable telecommunications network was necessary for the economic and social health of our nation. That principal was reaffirmed in the Telecommunications Act of 1996. It has never been more important for our nation's citizens than it is today for them to be able to access the technologies necessary to fully participate in educational and economic opportunities, government, medicine and social discourse. That, of course, requires an affordable, robust broadband connection.

It is expensive to serve the rural areas of our nation. North Dakota has 670,000 residents spread out over 70,700 square miles. A quarter of the State's population live in the four largest cities. As you will note in the following pages, the independent telephone industry uses a multitude of technologies

to deliver broadband capabilities to its members and subscribers. The North Dakota telcos have deployed a wide variety of wireline and wireless technologies to deliver broadband to their customers and strongly believe in the most efficient, economical and effective method to meet their needs.

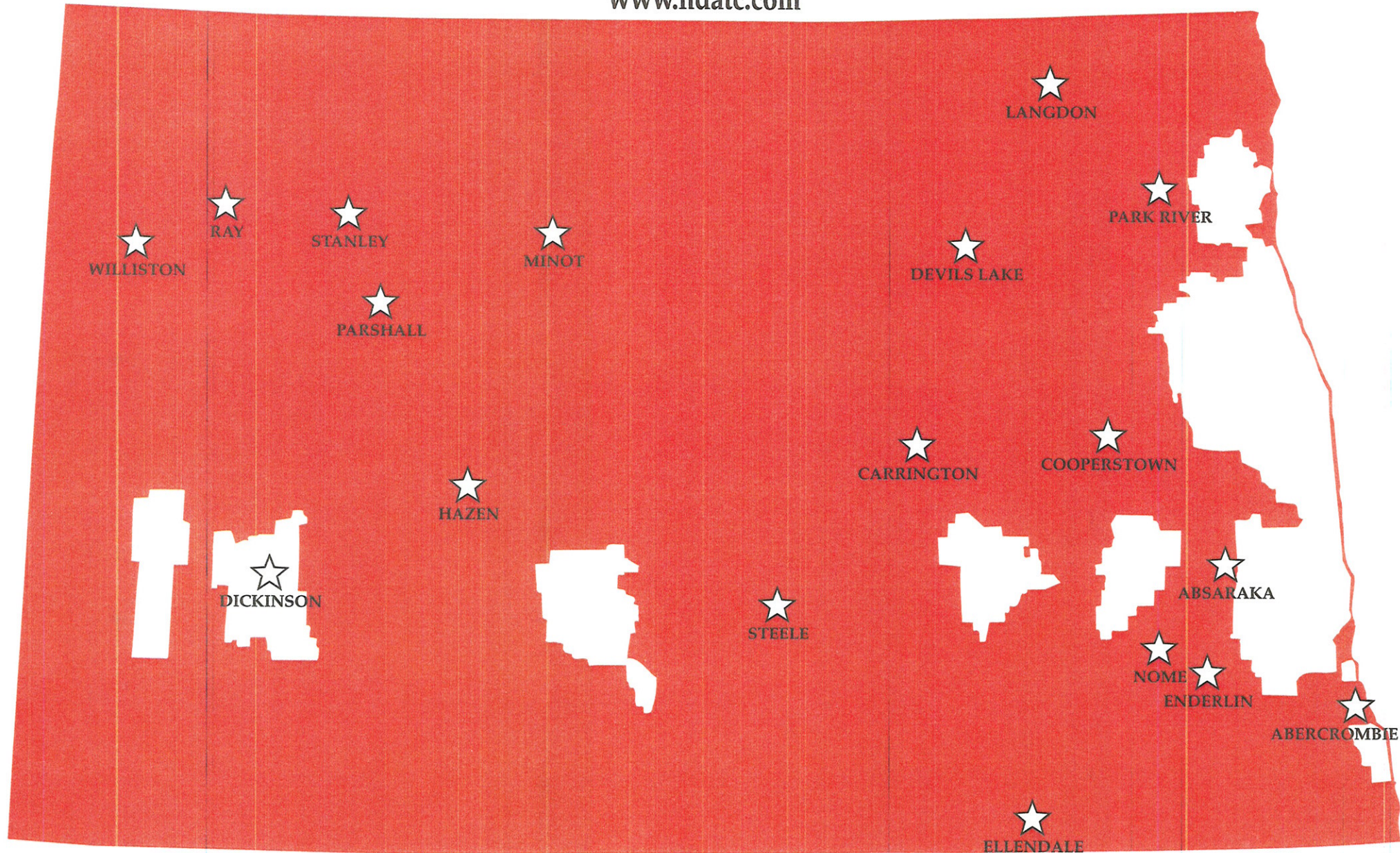
The ability of telecommunications companies to invest in their telecom infrastructure is critical to the economic health of rural America. Students in rural communities regularly access educational forums from urban schools and even universities. They have the ability to access the Library of Congress in the time that it takes to flip a light switch. Farmers market their crops at the most advantageous prices and times. Ranchers buy and sell their livestock in live online auctions. The disproportionately high elderly population is able in many instances to get medical care locally without traveling hundreds of miles to see a physician.

It would not be possible for rural North Dakotans to have this opportunity, however without the substantial investment made on a continuing basis by the independent telephone companies. They have averaged approximately \$100 million per year in simply upgrading their networks to accommodate the dramatic rise in broadband usage by customers. The broadband capacity and speed necessary to allow users to fully access the products available over the Internet jumps dramatically each year.

The build-out and improvement in the nation's telecommunications network in rural areas has been possible solely because of the Congress's insistence on universal service for all Americans. "Universal Service" is the principal that all Americans should have access to advanced telecommunications service so that our nation does not create a digital divide in which only wealthy urban areas have modern telecommunications and the rural areas are technological backwaters.

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Executive Vice President
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NORTH DAKOTA
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INDEPENDENT TELEPHONE COMPANY TERRITORY IN NORTH DAKOTA



NORTH DAKOTA ASSOCIATION OF TELECOMMUNICATIONS COOPERATIVES

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ABSARAKA TELEPHONE COMPANY

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Mgr: Ann Faught
Phone: 701-896-3404

BEK COMMUNICATIONS

Steele, ND 58482
Mgr: Derrick Bulawa
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Website: www.bektel.com

CONSOLIDATED TELCOM

Dickinson, ND 58602
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Mgr: Keith Larson
Phone: 701-652-3184
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DICKEY RURAL TELEPHONE

Ellendale, ND 58436
Mgr: Jeff Wilson
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GRIGGS COUNTY TELEPHONE COMPANY

Cooperstown, ND 58425
Mgr: Ray Brown
Phone: 701-797-3301
Website: www.mlgc.com

INTER-COMMUNITY TELEPHONE COMPANY

Nome, ND 58062
Mgr: Keith Andersen
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Website: www.ictc.com

MIDSTATE TELEPHONE COMPANY

Stanley, ND 58784
Mgr: Mark Wilhelmi
Phone: 701-628-2522
Website: www.midstatetel.com

THE NORTH DAKOTA RURAL TELEPHONE INDUSTRY

- High Speed Internet in 275 North Dakota rural communities.
- Independent telcos serve 96 percent of North Dakota's geographic territory.
- Over \$1.2 billion investment in local telecom infrastructure.
- Over \$58 million in payroll for rural residents.
- Over 8,000 miles of fiber optic cable.
- City, state and federal taxes paid by rural telcos in 2009: \$16.4 million.
- 1100 highly trained and educated employees in rural North Dakota communities.

MISSOURI VALLEY COMMUNICATIONS

Scobey, MT 59263
Mgr: Mike Kilgore
Phone: 406-783-5654
Website: www.nemontel.net

MOORE & LIBERTY TELEPHONE COMPANY

Enderlin, ND 58027
Mgr: Ray Brown
Phone: 701-437-3300
Website: www.mlgc.com

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NORTHWEST COMMUNICATIONS

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RED RIVER RURAL TELEPHONE

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RESERVATION TELEPHONE

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Website: www.rtc.coop

SRT COMMUNICATIONS

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UNITED TELEPHONE COOPERATIVE

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Mgr: Perry Oster
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Website: www.utma.com

WEST RIVER TELECOMMUNICATIONS

Hazen, ND 58545
Mgr: Mick Grosz
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Website: www.westriv.com

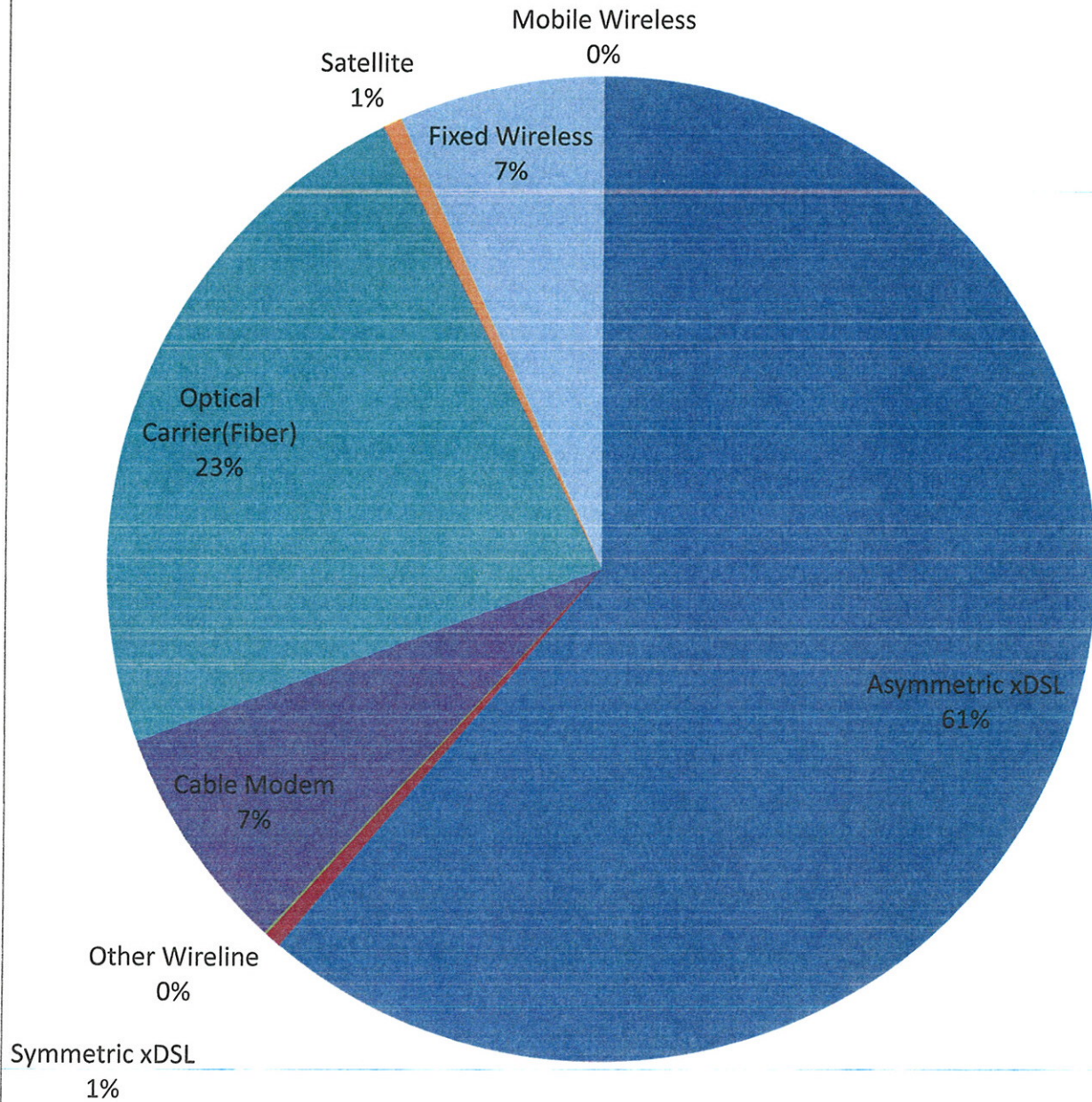
North Dakota Association of Telecommunications Cooperatives

Who Are We?

- 19 incumbent landline companies
 - 13 member-owned cooperatives
 - 6 privately-owned companies
 - 3 family-owned companies
 - 2 cooperative subsidiaries
 - 1 corporate-owned company

HOW RURAL TELCOS DELIVER BROADBAND IN NORTH DAKOTA

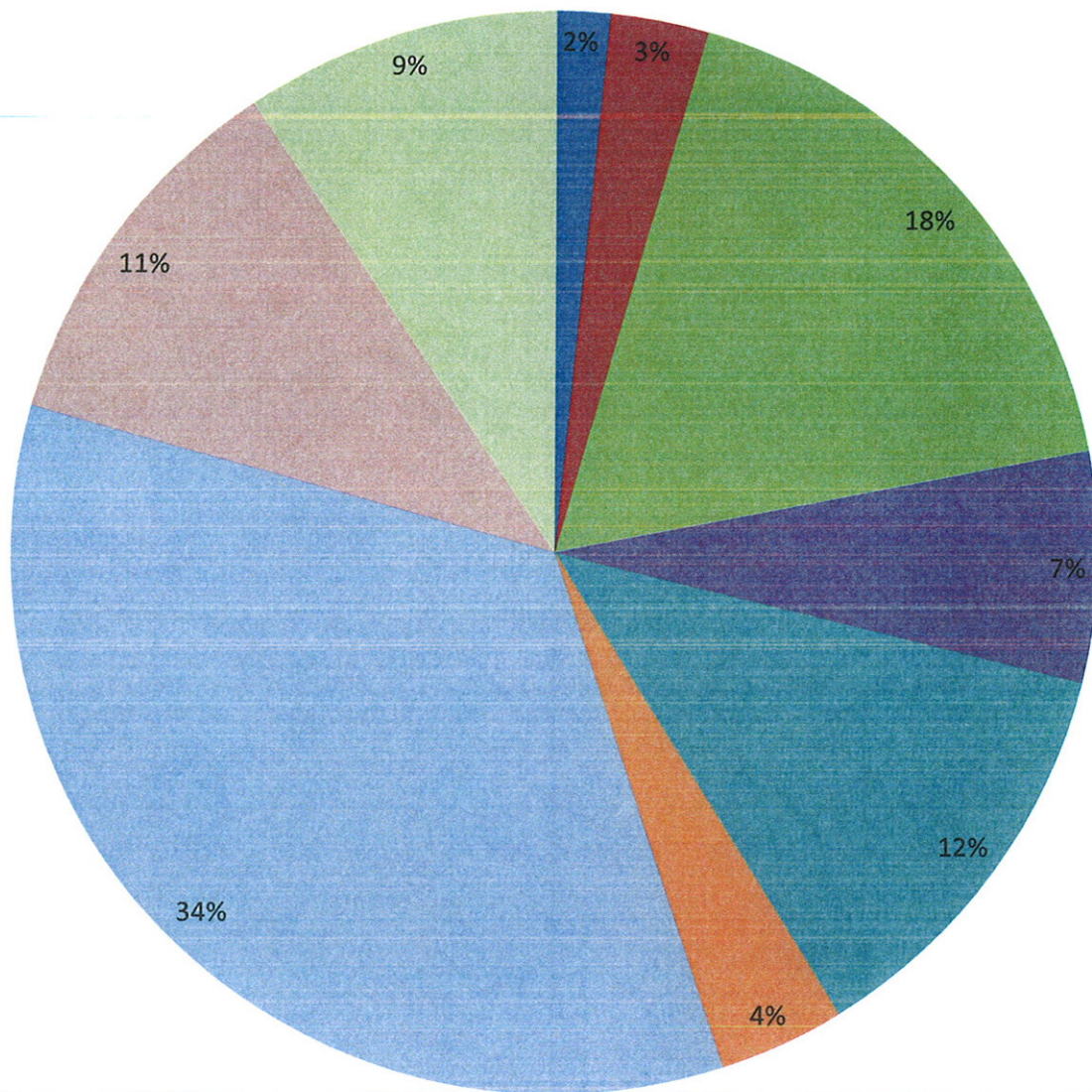
All Companies



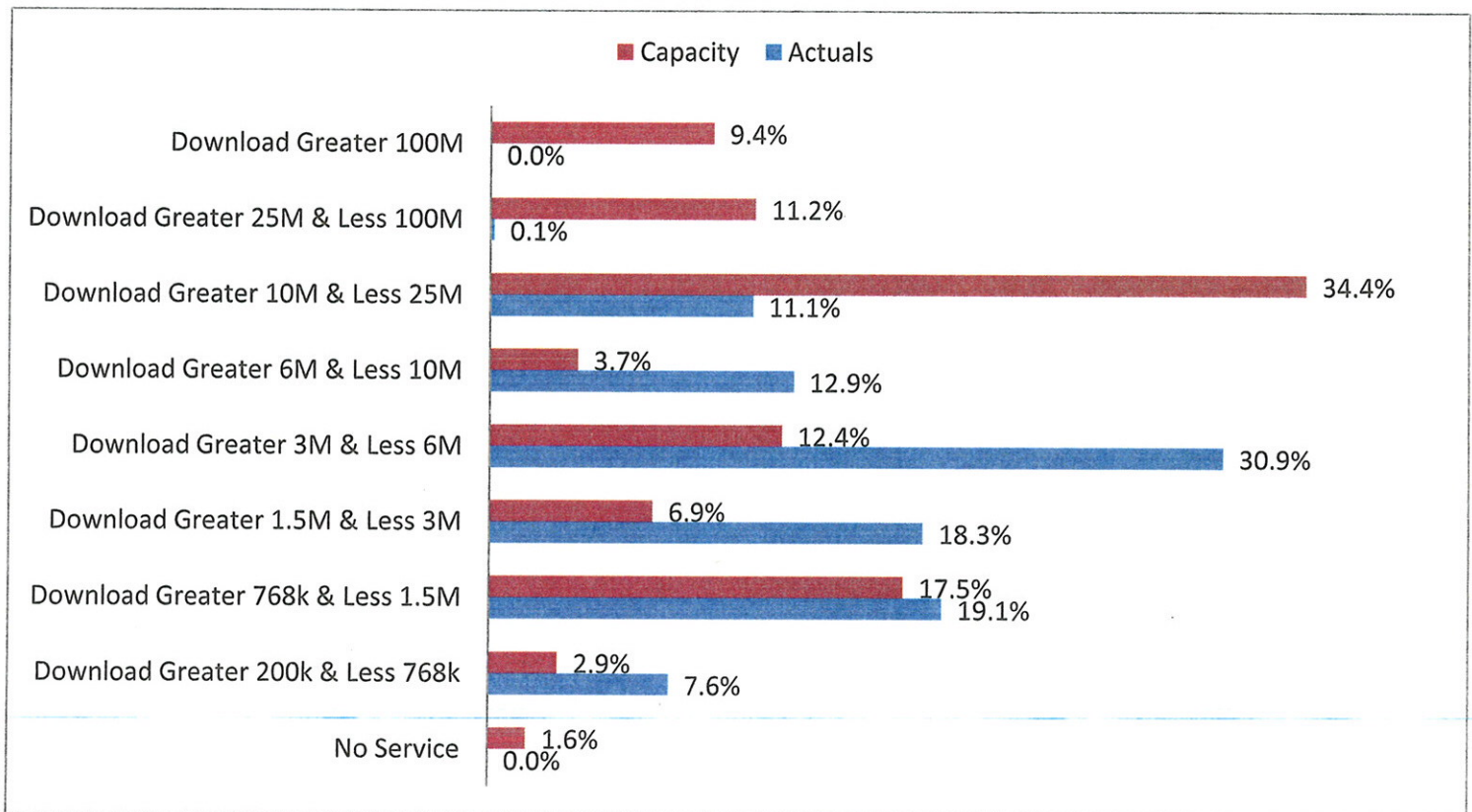
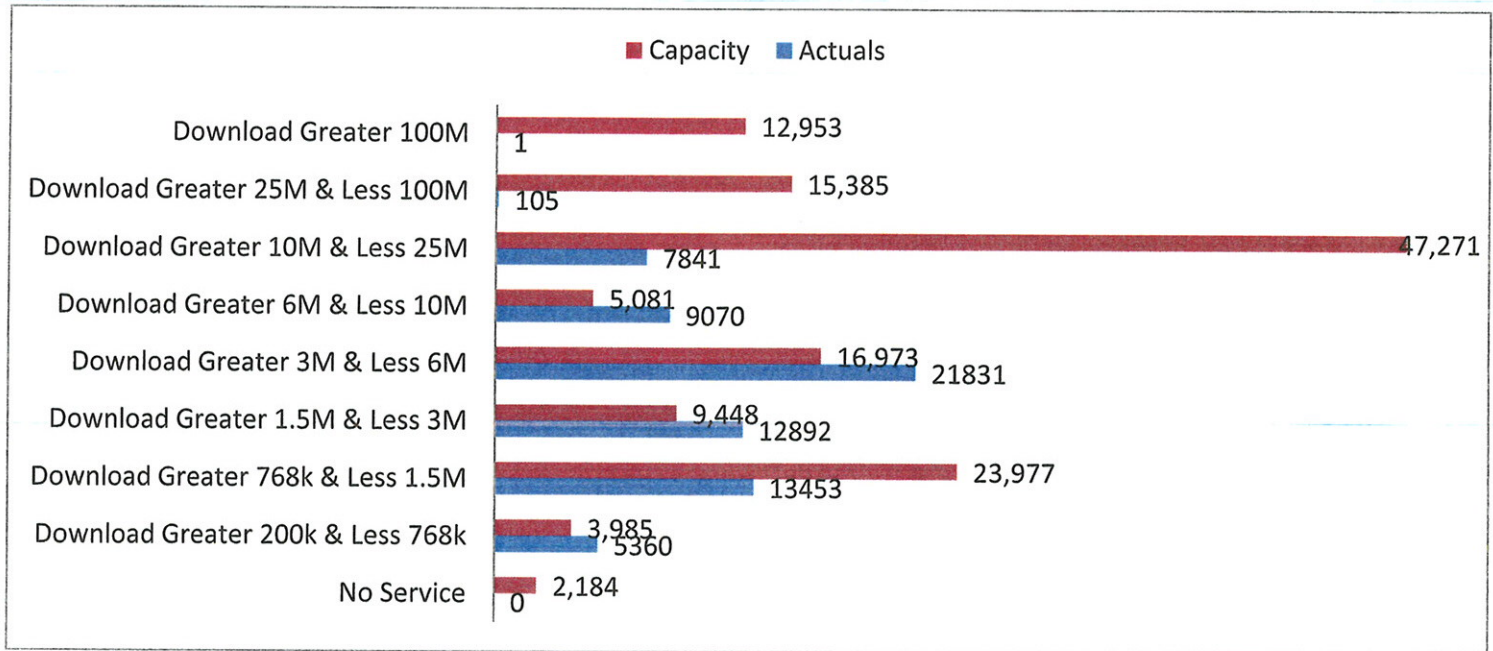
BROADBAND SPEEDS AVAILABLE IN RURAL NORTH DAKOTA

Download Speeds

■ No Service ■ >200k & >768k ■ >=768k & <1.5m ■ >=1.5m & <3m ■ >=3m & <6m
■ >=6m & <10m ■ >=10m & <25m ■ >=25m & <100m ■ >=100m



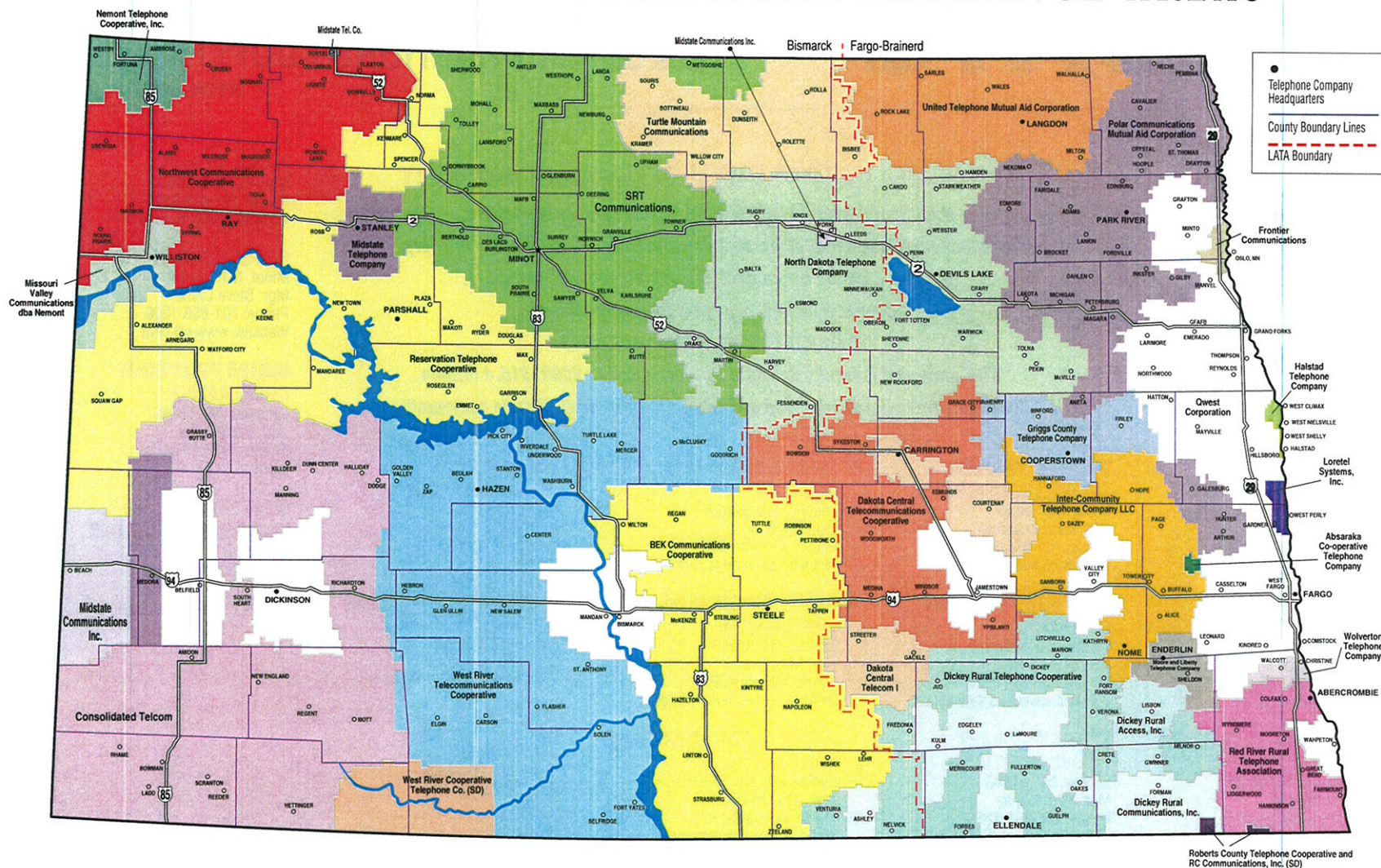
BROADBAND SPEED AVAILABLE vs. ACTUAL CUSTOMER SUBSCRIBERSHIP



RURAL TELCOS USE A VARIETY OF TECHNOLOGIES TO DELIVER BROADBAND

COMPANY	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	TOTALS
Technology Used																
Asymmetric xDSL	1167	1354	218	857	488	1961	341	4013	1892	3891	1010	4127	14826	1741	5246	43132
Symmetric xDSL				11								31	46	296		384
Other Wireline	29														23	52
Cable Modem		4706			155		63			380						5304
Optical Carrier(Fiber)	2053	2503	3053	4590	5		2	2028	131		566			1574		16505
Satellite		282	51					43			37	21				434
Fixed Wireless		870	289					99	435	1543	451	30	26	693	303	4739
Mobile Wireless											14					14
Electric Power Line																0
All Other																0
SUB-TOTAL	3249	9715	3611	5458	648	1961	406	6183	2458	5814	2078	4209	14898	4304	5572	70564

NORTH DAKOTA TELEPHONE EXCHANGE AREAS





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THE FCC'S UNIVERSAL SERVICE/INTERCARRIER COMPENSATION REFORM PROPOSAL

In February 2011, the FCC released a notice of proposed rule making (NPRM) that outlined reform proposals to modernize the communications industry's universal service and intercarrier compensation cost recovery mechanisms. As the reform efforts move forward at the FCC, NTCA is working closely with other rural telecom industry groups and FCC officials to ensure reforms recognize the unique challenges of providing communication services in rural America.

NTCA welcomes the FCC's focus on objectives that can provide a foundation for reform and looks forward to the development of an action plan consistent with the core universal service principles set forth in the Communications Act. Policy-makers and industry officials must ensure that the program is updated and retains the many successful elements that continue to play a vital role in promoting the availability and affordability of comparable broadband services for rural consumers.

As part of this effort, NTCA has made the following recommendations to strengthen the NPRM and ensure rural America is not left behind:

- Avoid adverse impacts on rural consumers.
- Meet statutory goals of predictability and sufficiency.
- Ensure efficiency and accountability.
- Ensure new rules do not place existing investment at risk.
- Ensure effective incentives for future rural broadband deployment.
- Recognize that intercarrier compensation reform for changing markets is a critical complement to Universal Service Fund (USF) reform.
- Acknowledge the need for both deployment and ongoing operational expenses to be recovered.
- Develop a specific broadband support mechanism for rural rate of return providers.
- Provide reasonable transition for recovery of existing investments under current rules.
- Recognize critical carrier of last resort responsibilities.
- Avoid unproven cost models and reverse auctions.

As debate and discussion continues among policy-makers and other stakeholders on how best to achieve universal service reforms and how to translate certain principles into policy, NTCA looks forward to helping create a sustainable framework that promotes investment and enables the continued availability of reliable broadband networks in rural America, while encouraging consumer adoption of broadband.



UNIVERSAL SERVICE AND INTERCARRIER COMPENSATION REFORM IN THE 112TH CONGRESS

The National Telecommunications Cooperative Association (NTCA) and the more than 570 rural telecommunication small businesses we represent look forward to working with members of Congress to update the universal service and intercarrier compensation mechanisms that ensure affordable, robust advanced communications services are available to all consumers and communities throughout our country.

Last Congress, Reps. Lee Terry (R–Neb.) and Rick Boucher (D–Va.), in a bipartisan initiative, introduced H.R. 5828, the “Universal Service Reform Act of 2010.” Because H.R. 5828 would have continued to enable affordable, high-quality advanced communications services in rural areas, NTCA endorsed the bill. While H.R. 5828 was not enacted, it represented a laudable effort to seek compromise between many different viewpoints to bring robust broadband to rural consumers and communities. As the 112th Congress moves forward, we look forward to again working with members of Congress as they develop proposals and policies that will continue moving us in this direction.

Key cost recovery mechanism modifications from H.R. 5828 and other concepts that should be included in any reform efforts in the 112th Congress are:

- Define universal service to include high-speed broadband service, so support for the deployment and operation of broadband networks will be explicit.
- Require contribution to the Universal Service Fund (USF) from a wider range of providers, including all broadband providers.
- Maintain rate of return regulation for eligible communications service providers.
- Require the FCC to act on intercarrier compensation reform in the near term and allow the USF growth factor to accommodate any intercarrier flows directed to it.
- Address so-called “phantom” traffic by mandating identification of all traffic.
- Include requirements to ensure universal service audits are fair and cost appropriate and that auditors are trained in USF program compliance.
- Ensure that new legislative and regulatory requirements do not undermine telcos’ ability to repay loans and stimulus-related financing.
- Ensure that both buildout and ongoing operational costs are able to be effectively recovered by telcos.
- Resist the temptation to embrace untested and unworkable approaches such as reverse auction-style USF distributions.
- Maintain current Communications Act requirements on comparability of service in terms of price and scope as well as sufficiency of support.

The concept of universal service is the very cornerstone of our nation's communications policy. It ensures that Americans living in rural areas receive services comparable in performance and price to those living in more urban areas. We look forward to working with you to update this important policy to meet the needs of a broadband world.

NTCA

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